

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Sixth Delegated Legislation Committee

DRAFT SOFT DRINKS INDUSTRY LEVY
(ENFORCEMENT) REGULATIONS 2018

Wednesday 7 February 2018

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The Committee consisted of the following Members:

Chair: SIR EDWARD LEIGH

† Crabb, Stephen (*Preseli Pembrokeshire*) (Con)
 Efford, Clive (*Eltham*) (Lab)
 † Graham, Richard (*Gloucester*) (Con)
 † Harrison, Trudy (*Copeland*) (Con)
 † Hayes, Helen (*Dulwich and West Norwood*) (Lab)
 † Jenrick, Robert (*Exchequer Secretary to the Treasury*)
 † Lewis, Clive (*Norwich South*) (Lab)
 † McDonald, Stuart C. (*Cumbernauld, Kilsyth and Kirkintilloch East*) (SNP)
 McGovern, Alison (*Wirral South*) (Lab)
 † Mann, Scott (*North Cornwall*) (Con)

† Metcalfe, Stephen (*South Basildon and East Thurrock*) (Con)
 † Rutley, David (*Lord Commissioner of Her Majesty's Treasury*)
 † Smith, Henry (*Crawley*) (Con)
 † Smith, Jeff (*Manchester, Withington*) (Lab)
 † Sobel, Alex (*Leeds North West*) (Lab/Co-op)
 † Twist, Liz (*Blaydon*) (Lab)
 † Wragg, Mr William (*Hazel Grove*) (Con)

Jack Dent, Katya Kennedy, *Committee Clerks*

† **attended the Committee**

Sixth Delegated Legislation Committee

Wednesday 7 February 2018

[SIR EDWARD LEIGH *in the Chair*]

Draft Soft Drinks Industry Levy (Enforcement) Regulations 2018

2.30 pm

The Exchequer Secretary to the Treasury (Robert Jenrick): I beg to move,

That the Committee has considered the draft Soft Drinks Industry Levy (Enforcement) Regulations 2018.

It is a pleasure to serve under your chairmanship, Sir Edward. The draft regulations will help to complete the legislative framework for the soft drinks industry levy, which is well known to right hon. and hon. Members and will take effect from 6 April this year, as they may be aware. The levy is an important part of the Government's childhood obesity plan, and the aim is for it to be a significant element in reducing the problem over the next 10 years. As well as encouraging children and families to make healthier dietary choices, the plan will help children to enjoy an extra hour of physical activity every day.

Children in the UK are consuming far too much sugar—three times the recommended level. The soft drinks industry produces our favourite soft drinks, which are a major source of sugar for children and teenagers, as well as adults. The levy, which has been introduced to encourage soft drinks manufacturers to reduce their sugar content, is already working, even before it comes into force in April: we estimate that approximately half the soft drinks that were above the sugar threshold when the levy was announced in 2016 have been reformulated to reduce their sugar content. We have seen the reformulation from major brands and household names that we are all aware of—Sprite, Fanta and Tango, to name just a few—and other producers have announced plans to reduce the size of larger packs.

All of this is good news for our nation's children and adults, our health, our teeth, our waistlines and the cost to the national health service. The reformulations have meant that our original revenue forecasts have been lowered, but as we set out clearly when the policy was mooted, our objective was never to raise money from the taxpayers as an end in itself; it was always to improve public health. The revenue will be less than first suggested, but regardless of how much is raised, the Government remain committed to funding the Department for Education with the £1 billion that we originally expected, and providing the devolved Administrations with the full amount that we promised at the time.

Every penny of England's share of the spending raised by the levy will go towards improving children's health, including by doubling the primary sports premium to improve the quality of PE in schools. We will also provide extra funding for school breakfast clubs, which can help the most disadvantaged children in society to have a healthier start to the day. Finally, we will provide £100 million in 2018-19 for the healthy pupils capital fund, which helps schools to upgrade their sports grounds, playing fields and changing rooms.

To continue to deliver our objectives, it is vital that we have the enforcement measures we need to ensure that the levy works, and that Her Majesty's Revenue and Customs has effective compliance powers to prevent evasion, if that proves necessary further down the line. The primary legislation behind the levy is the Finance Act 2017, section 54 of which enables the draft regulations to provide HMRC with the same powers that it uses to tackle every excise duty evasion, including alcohol duty. That makes sense because the supply chains for alcohol and soft drinks are comparable and often involve the same people and similar risks. Enforcement is expected to come under the control of the very experienced compliance teams at HMRC.

The draft regulations specify that, of the enforcement powers in the Customs and Excise Management Act 1979, only those powers that are really useful and relevant will be available for enforcing the levy. That includes powers of entry, search of premises and seizure of drinks, all of which are essential for tackling excise duty evasion and ensuring that legitimate suppliers are not adversely affected by those who engage in criminality. As with the enforcement of other excise duties, the powers will be used only where there are reasonable grounds to suspect non-compliance, and all use will be subject to strict governance procedures. Were HMRC not to have these powers, the risk of fraud would increase significantly and the legitimate businesses that manufacture soft drinks would not be able to compete on a level playing field.

In summary, the Government believe that the soft drinks industry levy is a vital part of our plan to tackle childhood obesity. It is only one of a number of measures being taken by the Government today, and we would like to take more in future. It has had a proven impact. We are seeing that impact in all household brands of soft drinks on the shelves; they will contain less sugar and provide a healthier drink for our children and adults. The regulations provide HMRC with enforcement powers that are proportionate and have been well scrutinised through extensive public consultation, so I hope colleagues will join me in supporting the regulations, which I commend to the Committee.

2.35 pm

Clive Lewis (Norwich South) (Lab): It is a pleasure, Sir Edward, to serve under your chairship. We can all agree that childhood obesity is a health time bomb. It poses serious health issues now, but it will also create health issues for decades to come. It will blight millions of lives with poor health and it will impose huge financial costs on the health service.

The NHS estimates that type 2 diabetes consumes over 8% of the NHS budget, and that is certain to rise in the coming years. It is clear that serious preventive action to protect children and young people from excessively sweet drinks and the industries that promote them aggressively is not only medically sensible but makes financial sense. That is why Public Health England, the British Dental Health Foundation and the Royal College of General Practitioners are all in favour of the levy, and it is why we support it too.

However, it must be clear that this measure on its own simply cannot do the job being asked of it. I have mentioned some headline figures, but they do not capture the scale of what is coming. Type 2 diabetes used to be a

disease of middle age. Nowadays diagnosis of the disease in people in their early 30s is commonplace, with teenagers also being diagnosed. That means millions of extra cases, many of which will mean potentially decades more healthcare per person on top of what we would normally expect. That is just one disease. I have not mentioned the increase in strokes, heart disease and cancer: all diseases that will generate decades of extra healthcare spending per patient.

That brings me to the ideological crux of the tax. What is it for? Is it a scrambled attempt to raise money to plug gaps in the education budget, or is it meant to reduce childhood obesity? The Minister mentioned £1 billion guaranteed funding for the Department for Education, and I welcome that, but where is that money coming from? I know that sometimes a magic money tree can be found, but we would like to know for sure where that money is coming from and whether it is ring-fenced and protected.

Can the Minister tell us what assessment has been made of the HMRC's capacity to enforce the levy, given that it has been widely documented that HMRC lacks the necessary resources and capacity to cope with its current workload, with even more cuts are on the horizon? Can he tell us how HMRC will monitor the effectiveness of its compliance strategy? Can the Minister tell us how the Treasury plans to plug the shortfall in the levy predicted by the Office for Budget Responsibility in relation to funding from the Department for Education for initiatives that he cited that support physical education, after-school activities and healthy eating?

Ultimately, this tax may make a dent or two in reducing childhood obesity, but we know that on its own it will fail in that role. The coming health consequences of obesity will be like a tsunami; this measure on its own is like putting a couple of extra life jackets on the Titanic. For it to have any meaning it must be part of a wider strategy. The Government are planning to cut real-terms spending on public health by 4% a year until 2020. The Royal College of Paediatrics and Child Health reported last week that most local authorities have cut spending dedicated to promoting physical activity in children. They also criticised the Government for their failure to establish an overarching child health strategy. I know that the Minister mentioned it, but the royal college criticised it with regard to the integrated, holistic approach that would make strategic sense of the levy. The Opposition cannot yet see that plan in place. Finally, will the Minister make an assessment of the impact of the levy on childhood obesity, because many people argue that on its own it will make little or no impact at all?

2.40 pm

Robert Jenrick: I am grateful to the hon. Gentleman for his support for the levy, which will play an important part in tackling childhood obesity. As I was at pains to stress in my opening speech, the levy is only one element of a much wider Government strategy. The Opposition and other right hon. and hon. Members will have seen the childhood obesity plan that was published. Nobody pretends that the soft drinks industry levy contains all the elements of that plan, but it is a significant element and, again, I am grateful to the hon. Gentleman for his support.

The levy is working, and we have seen that in the large number of suppliers of soft drinks that have already reformulated their products. As a result, the tax

will raise less revenue than was previously expected. It was never designed as a tax-raiser; it was always designed to stimulate improvements in public health. In the autumn Budget of 2017, we laid out our expectation that the levy would raise around £275 million, yet the Treasury remains 100% committed to the original promise of over £1 billion of extra money for the Department for Education.

Clive Lewis: While we welcome the £1 billion—the extra funding—to plug those gaps, if the Government then cut 3.9% of spending on public health and, it is predicted, millions by 2020, does the Minister not concede that they are giving with one hand and taking with the other?

Robert Jenrick: I dispute the hon. Gentleman's analysis of our funding of the NHS, which has risen in every year of this Parliament. In the autumn Budget of 2017, the Chancellor committed to providing more money for both the NHS and adult social care.

The levy is an example of where the Government are taking action. We are using the tax code to change behaviours for the public benefit, and we are committed to significant increases in spending for school sports, breakfast clubs and all the other important things that will benefit from the funds coming from the levy. Every single penny raised by the levy will go to support school sports and the public health initiatives that I mentioned, plus the additional revenue that the Treasury committed to and is in no way backing down on, despite the success of the levy.

Clive Lewis *rose*—

Robert Jenrick: If the hon. Gentleman does not mind, I will press ahead on this occasion; I have given way to him in the past.

As for the capacity of HMRC, this is a task that HMRC is very used to and has expertise in. It uses that capacity for all forms of alcohol excise duties, such as those that apply to the spirits industry and so on. There is no reason to question whether HMRC can do this work. Indeed, the powers that we are considering today are those that HMRC has requested. The levy has been fully subject to a public consultation with the industry. HMRC's voice has been heard in that consultation and we believe that HMRC will be effective in enforcing this levy and in ensuring that there is no criminality, or only minimal criminality, involved with it.

As for the question of whether or not we have reviewed, or will review, the impact of the levy, we have committed to such a review—in 2020, I think—so that will be the point at which we can clearly see the impact of the levy on both public health and the industry. With that, Sir Edward, I commend the regulations to the House.

2.43 pm

Clive Lewis: I will just clarify matters on the issue of public health cuts and sum up very quickly. We support the levy, but there are caveats. One of the key things that I wanted to mention is public health cuts. The King's Fund, the widely respected health think-tank, has said that

“too many local government services that affect the public's health are facing death by a thousand cuts.”

[Clive Lewis]

The Local Government Association said in December:

“Cutting the public health budget is short sighted and will undermine the objectives we all share to improve the public’s health and to keep the pressure off the NHS and adult social care. Further reductions to the public health budget reinforces the view that central government sees prevention services as nice-to-do but ultimately non-essential.”

How can the sugar levy make sense when many other measures that might help to reduce childhood obesity are being cut? That is something that we will continuously raise when it comes to this levy.

I will conclude by saying that my first priority today is the health and wellbeing of our children—I, too, am not here to defend the soft drinks industry—but in the

absence of a thought-through strategy, it is hard to disagree with the British Soft Drinks Association in its response to the Budget in 2017 that

“it’s worth bearing in mind that there is no evidence taxing a single product or ingredient has reduced levels of obesity anywhere in the world.”

The Chair: I will put the question. As a matter of coincidence, I was at my dentist’s this morning and he showed me a rather horrifying film about the danger of sugar, so he will be very interested in our proceedings.

Question put and agreed to.

2.45 pm

Committee rose.

